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HSBC Turkey Manufacturing PMI™

PMI rises to 14-month high

Key findings:

- Output levels and new orders increase at faster rates
- Employment levels rise solidly
- · Input price inflation remains strong

Business conditions in the Turkish manufacturing sector continued to improve during December. Output levels and new orders both increased, while workforce numbers rose at the sharpest rate in 12 months and the rate of input price inflation remained solid.

The seasonally adjusted HSBC Turkey Manufacturing PMI™ – a composite indicator designed to provide a single-figure snapshot of the performance of the manufacturing industry – posted 53.1 in December, up from 51.6 in the previous month and signalled the fourth successive improvement in operating conditions. Moreover, business conditions strengthened to the greatest extent since October 2011.

Production rose further at Turkish manufacturing firms during December and the rate of output growth was the sharpest in 14 months. According to anecdotal evidence, the increase was due to more incoming new business.

New orders increased in December and panellists reported that the rise in order book volumes was mainly driven by an increase in demand. After a decline in the previous survey period, new export orders rose slightly.

Employment levels saw a solid rise during December and the rate of job creation was the highest in 12 months. Higher work requirements and an increase in new orders were among the reasons behind the latest rise in staffing levels.

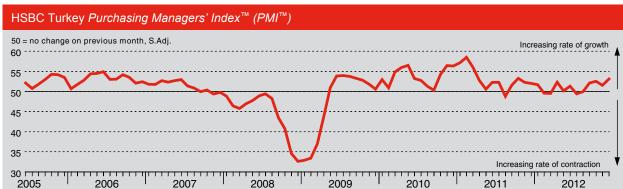
December data signalled a decrease in outstanding work at Turkish manufacturing firms, with more than 21% of panellists reporting less work-in-hand. Meanwhile, average lead times and stocks of finished goods remained broadly unchanged.

Average prices charged by manufacturing firms in Turkey continued to increase in December. Tariffs set by companies rose for the fourth successive month, but at a slightly slower rate than in the previous survey period. There was some evidence that the increase was driven by higher raw material prices.

Input costs rose again at Turkish manufacturing firms during December, and the rate of input price inflation remained solid. More than 17% of companies indicated a rise in input costs and only 5% reported lower prices. According to panellists, inflation reflected both unfavourable exchange rates and increased raw material prices.

Purchasing activity at Turkish manufacturing firms increased during December, and at the sharpest rate since October 2011. Where an increase in buying was reported, respondents linked this to higher new order levels.

Pre-production inventories in the Turkish manufacturing sector decreased for the third successive survey period during December. Moreover, the pace of depletion quickened to the sharpest in 34 months. Panellists partly linked this decrease to the use of inputs in the production process.



The HSBC Turkey *Purchasing Managers' Index™ (PMI™)* is a composite indicator designed to provide an overall view of activity in the manufacturing sector and acts as a leading indicator for the whole economy. The indicator is derived from individual diffusion indices which measure changes in output, new orders, employment, suppliers' delivery times and stocks of goods purchased. A reading of the PMI™ below 50.0 indicates that the manufacturing economy is generally declining; above 50.0, that it is generally expanding. A reading of 50.0 signals no change. The greater the divergence from 50.0, the greater the divergence from 50.0, the greater the rate of change signalled by the index. **Purchasing Managers' Index™** and **PMI™** are trade marks of Markit Economics Limited, HSBC use the above marks under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited.

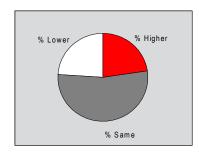




Output Index

Q. Please compare your production/output this month with the situation one month ago.



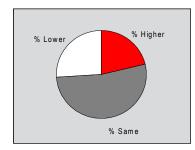


Production continued to rise at Turkish manufacturing firms during December. This was highlighted by the seasonally adjusted Output Index posting a reading above the no-change mark of 50.0. Output increased for the fifth successive month, and grew at the sharpest pace since October 2011. According to anecdotal evidence, higher production was mainly driven by an increase in new orders.

New Orders Index

Q. Please compare the level of new orders received (Turkey and export) this month with the situation one month ago.



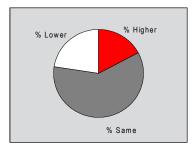


December data signalled a further increase in new orders received at Turkish manufacturing companies. After adjusting for seasonality, the volume of incoming new business grew at a solid rate that was the fastest since March 2011. Panellists linked the latest rise in order book volumes to an increase in demand.

New Export Orders Index

Q. Please compare the level of new export orders received this month with the situation of one month ago.



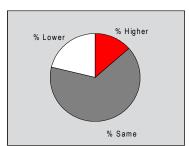


New export orders rose slightly during December, and for the fifth time in six months. The rate at which new business from abroad expanded was, however, lower than the average recorded over the series history. Where a rise in new export orders was reported, some respondents associated this with new products and customers.

Backlogs of Work Index

Q. Please compare the level of outstanding business in your company this month with the situation one month ago.

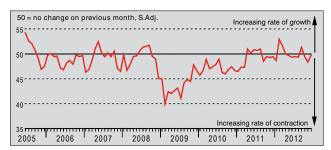


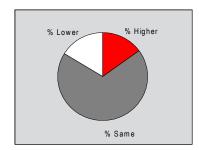


The seasonally adjusted Backlogs of Work Index continued a trend observed in each month since March 2011 and posted below the 50.0 threshold in December. The rate at which work-in-hand decreased stayed in line with that seen in November. More than 20% of respondents recorded lower levels of outstanding business, compared with 14% that posted a rise.

Stocks of Finished Goods Index

Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.



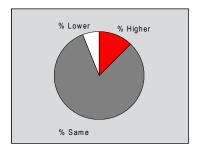


After a reduction in November, stocks of finished goods remained broadly unchanged at Turkish manufacturing firms during December. Exactly 15% of respondents recorded higher levels in post-production inventories and about 16% indicated a fall in stocks of finished goods. The latest index reading was above the series average.

Employment Index

Q. Please compare the level of employment at your unit with the situation one month ago.



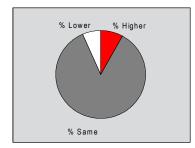


Workforce numbers at manufacturing firms in Turkey rose further during December. The rate of job creation picked up, and was the sharpest since December 2011. More than 12% of companies recorded higher employment levels with exactly 6% of firms registering job cuts. Higher production requirements and an increase in orders were cited as reasons behind the latest increase in staffing levels.

Output Prices Index

Q. Please compare the average price that you charge per unit of output (volume weighted) this month with the situation one month ago.



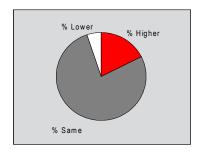


December data indicated a further rise in output charges at Turkish manufacturing firms. Average tariffs set by companies increased for the fourth consecutive survey period, albeit at a marginally weaker rate than in November. There was some evidence that the increase in output prices was due to higher raw material prices.

Input Prices Index

Q. Please compare the average price of your purchases (volume weighted) this month with the situation one month ago.

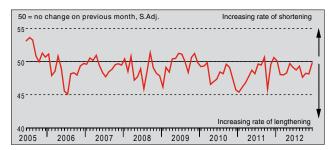


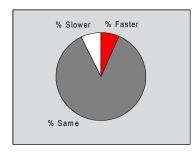


Average purchase prices continued to rise in December. The rate of input cost inflation remained solid, but was below its series average. More than 17% of respondents recorded higher input prices and only about 5% reported a fall. Where a rise in input costs was registered, panellists partly linked this to higher raw material prices and unfavourable exchange rates.

Suppliers' Delivery Times Index

Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.



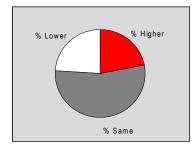


Vendor delivery times stayed broadly unchanged in the Turkish manufacturing sector during December, as indicated by the seasonally adjusted Suppliers' Delivery Times Index posting a reading close to the 50.0 no-change mark. Around 7% of companies reported an improvement in vendor performance and just above 7% recorded a lengthening of lead times.

Quantity of Purchases Index

Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.

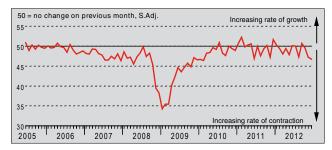


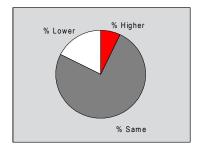


The quantity of items purchased at manufacturing firms in Turkey rose during December. Purchasing activity increased at the sharpest rate since October 2011. According to panellists, the increase in buying was partly due to higher new order numbers. Purchasing activity has now risen in seven successive months.

Stocks of Purchases Index

Q. Please compare your stocks of purchases (in units) with the situation one month ago.





The latest survey data signalled a further decline in input stocks. Furthermore, the third successive decrease in pre-production inventories was the sharpest since October 2011. More than 17% of respondents reported a decrease in stocks of purchases, and mainly linked this to the use of inputs in the production process.

Notes on the Data and Method of Presentation

The Purchasing Managers' Index is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 manufacturing companies. The panel is stratified geographically and by Standard Industrial Classification (SIC) group, based on industry contribution to Turkish GDP. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

The Purchasing Managers' $Index^{TM}$ (PMI^{TM}) is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease. Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

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